

This letter describes the procedure for claiming credit for refunds of tax to customers. See 35 ILCS 120/6a. (This is a GIL).

July 17, 2000

Dear Xxxxx:

This letter is in response to your letter received by the Department on March 23, 2000. We apologize for the delay in responding to your inquiry. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found on the Department's Internet website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

The purpose of this letter is to obtain a waiver for filing multiple amended returns due to customer returned sales. We understand there is a need for an occasional amended return to correct mistakes or to incorporate information that may not have been available at the time the original return was filed. Such requirements are reasonable. Our request is one that examines the cost of record keeping as well as practicality.

COMPANY manufactures and sells building materials, products and related services. Last year, we had sales in excess of \$700,000,000 in more than a dozen states. Returned sales are simply a part of business, and as business grows, so do returned sales, exchanges and credits. Our manner of reporting such returned sales in Illinois has been to report them as deductions on line 2 (line 5 of the worksheet) as cash refunds. Last week, however, we were informed by the Illinois Department of Revenue that this deduction was only for sales and returns that originated and concluded in the same month. For all other circumstances, we need to file amended returns for the period of the original sale. This means we could be filing one original return plus up to 12 more amended returns each month...up to 150+ returns a year!

Yes, 150 amended returns a year is a bit ridiculous, but it is realistic to expect 2 or 3 returned sales a month, totaling 30-40 amended returns a year. COMPANY reports & collects sales tax on the state's behalf as its agent. We ask you to grant our request, allow us to report and take credit for customer returns in the month of the refund, and waive the requirement to file amended of the original sales month on customer refunds/returns.

July 17, 2000

Section 3 of the Retailers' Occupation Tax Act, 35 ILCS 120/3, states that "[r]efunds made by the seller during the preceding return period to purchasers, on account of tangible personal property returned to the seller, shall be allowed as a deduction under subdivision 5 of his monthly or quarterly return, as the case may be, in case the seller had theretofore included the receipts from the sale of such tangible personal property in a return filed by him and had paid the tax imposed by this Act with respect to such receipts."

Please note that this refund provision applies to sales made during the "preceding return period." For example, a refund made during the month of February for a sale that took place in January of that same year would be reported in the above manner. Refunds given to customers for purchases that took place in earlier periods must be claimed on amended returns/claims for credit or refund as required by Section 6a of the Retailers' Occupation Tax Act, 35 ILCS 120/6a. These requirements are statutorily mandated and the Department has no authority to waive them.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Terry D. Charlton  
Associate Counsel

TDC:msk

Enc.